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ABSTRACT

This document outlines the role and activities of the Higher Education Funding Council for England (HEFCE), reviews achievements in the 2002-2003 financial year, and provides a summary of HEFCE annual accounts. The strategic plan on which HEFCE activities were based was first published in March 2003. The essence of the vision behind the plan is that universities and colleges must build on their own chosen areas of strength and work in collaboration with other providers so that the sector as a whole continues to deliver all that is expected of it. Three events in particular stand out in this review of 2002-2003 activities: (1) the announcement of the 3-year funding settlement to 2005-2006; (2) the publication in January 2003 of the Government's White Paper on the future of higher education; and (3) the publication in July of the HEFCE strategic plan for 2003 through 2008. Widening access and improving participation in higher education are at the heart of the strategic vision. Sections of this report are: (1) "Realizing a Vision for Higher Education" (David Young); (2) "Achieving and Sustaining Excellence in the Knowledge Society" (Howard Newby); (3) "Core Themes"; (4) "Supporting Themes"; (5) "Facts and Figures." This final section contains statistics about the allocation of funds for higher education in England. (Contains 12 figures.) (SLD)

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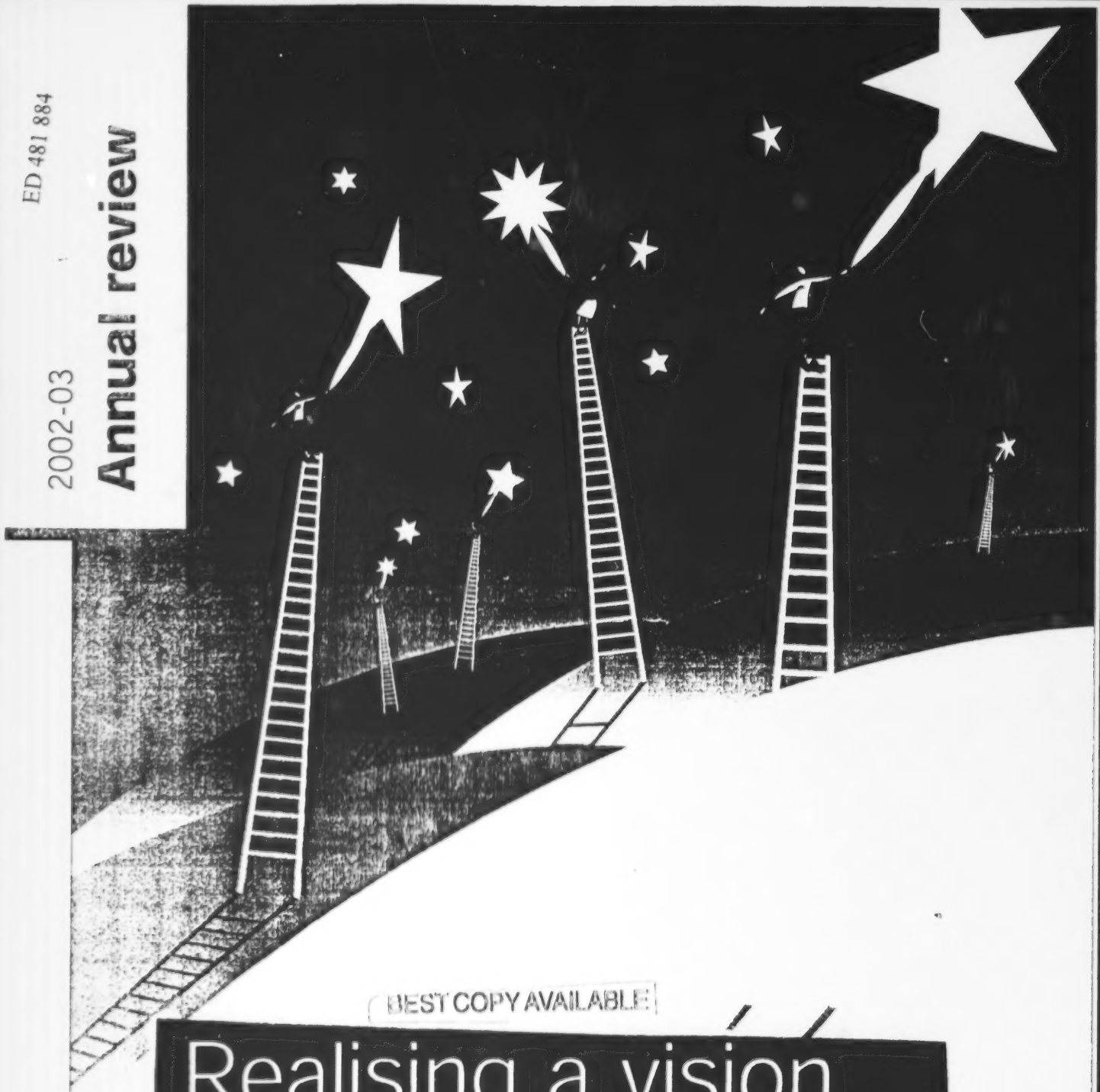
2002-03

Annual review



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Realising a vision for higher education

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Sustainable Forests

Totally Chlorine Free

Realising a vision for higher education

HEFCE annual review 2002-03

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This document outlines HEFCE's role and activities, reviews achievements in the 2002-03 financial year, and provides a summary of our annual accounts. Decisions made during the year have determined funding allocations to universities and colleges for 2003-04.

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Realising a vision for higher education

David Young, Chairman

This annual report is about developing and realising a vision for higher education. The vision was developed throughout the year in collaboration with universities, colleges and other partners. It was published in March 2003 as our draft strategic plan, with the final version issued in July. The thinking behind our strategic plan, formulated through extensive consultation and discussion with the sector over a 12 month period, also helped to influence the Government's White Paper 'The future of higher education', published in January 2003.

At the heart of this vision is the fact that higher education faces a more profound set of challenges than ever before – globally, nationally and regionally. Universities and colleges are required to meet the increasingly complex needs of a diverse student population, address the agendas of lifelong learning and social inclusion, carry out high quality research, and enhance their contribution to economic development and the vitality of communities. The essence of our vision is that universities and colleges must build on their own chosen areas of strength, and work in collaboration with other providers, so that the sector as a whole continues to deliver all that is required of it. No institution can reasonably meet all these challenges at the expected levels of global excellence.

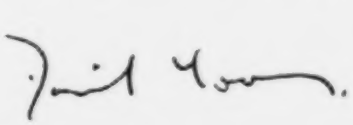
Many universities and colleges are showing the leadership and enterprise necessary to meet these challenges through internal and external changes. We, too, in the Council are changing in order to help deliver this new agenda. The Council has restructured internally along the key themes of the strategic plan, ensuring that policy development, delivery and engagement with institutions work together. We have replaced and strengthened our strategic committees through an open selection process, securing the wider involvement of the sector and other partners to advise the Board on all the key areas. The Board in turn has developed new methods of working to develop its strategic thinking.

We are working more strategically with Government, the sector's representative bodies and other funders. We have entered into joint working arrangements with the Department for Education and Skills for delivering the parts of the White Paper that fall within our remit. We have signed a memorandum of understanding with the Department of Health, and are working closely with the Learning and Skills Council on widening participation.

Paradoxically this closer collaborative working requires us to re-emphasise our role as a buffer body between Government and higher education institutions. We will ensure that we continue to represent vigorously the needs of higher education to Government, and also to convey the views of Government to institutions. This is not always visible to outsiders because much of our advice to Government is best given in confidence.

In our dialogue with Government, we are determined to build on the favourable settlement for higher education secured for 2003-04, by providing robust evidence-based advice on the future funding needs of the sector. We are committed to doing all we can to reduce the administrative burden of accountability, and will continue to work closely with the Better Regulation Review Group to achieve this. We look forward to playing our part in building on the recommendations of the Lambert Review of interactions between business and higher education.

Finally, I would like to pay tribute to my fellow Board members, and in particular to the outstanding contributions made over several years by retiring Board members David Potter, Dorma Urwin, Caroline Neville and Ron Cooke. They have all served the cause of higher education with dedication and distinction. Their successors, working through the Board and all our partners, face exciting challenges in the years ahead.



Achieving and sustaining excellence in the knowledge society

Sir Howard Newby, Chief Executive

This has been a particularly eventful year for colleagues in universities and colleges of higher education, and for the staff of the Council. There are three inter-connected events that stand out: the announcement of the three-year funding settlement to 2005-06; the publication in January 2003 of the Government's White Paper on the future of higher education; and the publication in July of our own strategic plan for the period 2003-08. Taken together, they provide a challenging and exciting agenda. Our collective task is to deliver the future for higher education.

Universities and colleges are key players in a knowledge economy and knowledge society. Like any knowledge organisation, they will be subject to the challenges and opportunities of globalisation. We need to ensure that we are able to achieve and sustain excellence in all parts of the higher education sector, in a world where there will be increasing demand for higher education but from a more diverse student body with a wide range of needs and expectations. Lifelong learning is turning education from a single life episode into a lifelong opportunity for personal development.

New directions

The White Paper is a bold statement about a new sense of direction for higher education. I welcome the acknowledgement by the Government that universities and colleges are a considerable success story. We are all moving forward from a position of strength. The spending review settlement for higher education provides substantial public investment. For the year 2003-04, funding for research has increased by 10.9 per cent. The increase in the resource for teaching is more modest at 3.8 per cent. Overall, I believe that this is a favourable settlement.

During the past 12 months we have been working towards a new strategic plan. Our plan responds to the many challenges that will shape higher education, and sets out the practical steps needed to deliver our contribution to the agenda in the White Paper.

We are, I believe, at a turning point. How we fund, manage and deliver higher education over this decade will have a profound effect on our ability as a sector to meet the challenges we face on a regional, national and global level.

Expanding opportunities

Widening access and improving participation in higher education is a crucial part of our mission. Foundation degrees will play an important part both as the main vehicle for continuing expansion and in providing new accessible ways to study. By interlocking the opportunities provided by further and higher education, we can deliver progression routes for our students. One of the main features of the grant allocation for 2003-04 is the £265 million for widening access and improving retention which recognises more fully the additional costs of providing for students from disadvantaged backgrounds.

Learning and teaching are at the heart of higher education. Our strategic vision will ensure that there is full recognition of excellent teaching and learning as a key element in institutions' missions, alongside research and other activities. The creation of the first wave of Centres for Excellence in Teaching and Learning will support this objective. I am particularly grateful to Sir Ron Cooke and his colleagues on the Teaching Quality Enhancement Committee for their work on the development of the new Higher Education Academy for the advancement of learning and teaching. These funding initiatives will strengthen the opportunity that the White Paper and our strategic plan give us to re-balance the teaching vocation with the research vocation in higher education.

Research and knowledge transfer

Our policies for enhancing excellence in research have probably received more attention and provoked more heated debate than any other aspect of our funding allocations. Within the resources available, we will fund excellent research wherever it is located, and across all disciplines. Our funding is necessarily selective, with the greatest investment targeted at research excellence. Not to do so would weaken the nation's overall research base and global competitiveness.

It is significant that there has been strong support for our decision to create a capability fund to support research in emerging subject areas. The fund will operate at least for the next three years and therefore provide a measure of continuity and confidence for planning purposes. In the light of the review of research assessment led by Sir Gareth Roberts, we are consulting widely on a new process for assessing research.

Universities and colleges have a vital role in creating and disseminating knowledge. Our funding mechanisms support all institutions in making a significant contribution – through knowledge transfer and related activities – to economic development and the strength of their surrounding communities.

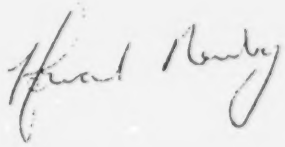
Key people

The development of the people who work in higher education underpins the delivery of all our key objectives. Our initiative for rewarding and developing staff has been widely welcomed by the sector. Excellent management and leadership in higher education will become increasingly important as institutions face the pressures of the global economy in an increasingly uncertain world. We support strongly the proposals from Universities UK and the Standing Conference of Principals to create a Leadership Foundation to develop and promote leadership, management and governance in the sector.

Universities and colleges are increasingly globally connected and it is important to locate our strategic vision within an international context. The recruitment of international students and development of research links and exchange programmes to create connections between English higher education institutions and organisations around the world is crucial to continued success.

We would have achieved very little without the support we receive from a body of dedicated colleagues on our advisory committees. I am extremely grateful to every individual who has helped us to shape our policies.

Finally, my sincere thanks go to my colleagues in the Council who have been tremendously supportive during a demanding year: they have been cheerful, resilient and unfailingly professional in equal measure.



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What is HEFCE?

Our mission: Working in partnership, we promote and fund high-quality, cost-effective teaching and research, meeting the diverse needs of students, the economy and society.

The Higher Education Funding Council for England (HEFCE) is the body responsible for distributing public money to universities and colleges in England that provide higher education.

Set up by the Government in 1992, we are a non-departmental public body, and thus enjoy some degree of autonomy from Government. We work within a policy framework set by the Secretary of State for Education and Skills, but we are not part of the Department for Education and Skills.

In practice this means that we provide independent and confidential advice to Government on the funding needs and development of higher education; contribute to the formulation of higher education policy; and act as an advocate for the HE sector.

We commission and conduct research to inform policy development, and work with universities and colleges to help them respond to government priorities for higher education.

Funding and accountability

In 2003-04 we will distribute £5.5 billion in public funds. The bulk of this will go to the 131 universities and higher education colleges in England; some funds support higher education courses in 164 further education colleges. The main funding body for further education is the Learning and Skills Council. We do not provide grants or loans for individual students.

HEFCE funds support four main strands of activity in higher education:

- teaching and learning
- widening participation
- research
- strengthening links with business and the wider community.

These map onto the four core aims identified in our strategic plan for 2003-08, and reflected in the Government's White Paper, 'The future of higher education'.

Most of the money is distributed as core grants, allocated by set formulae. Some activities, for example related to particular needs or policy aims, are funded through special initiatives.

In allocating funds, we have a responsibility to ensure that the money is used effectively, and that the sector remains financially healthy and well managed. Wherever possible, we do this in partnership with universities and colleges and other funders of HE, to keep the administrative burden to a minimum.

Transparency is a key principle underlying our funding methods. We consult the sector on the methods for allocating core funding, and on any new special initiatives, and publish detailed information on the processes. Our standards of service, setting out our commitments to stakeholders, are published on our web-site.

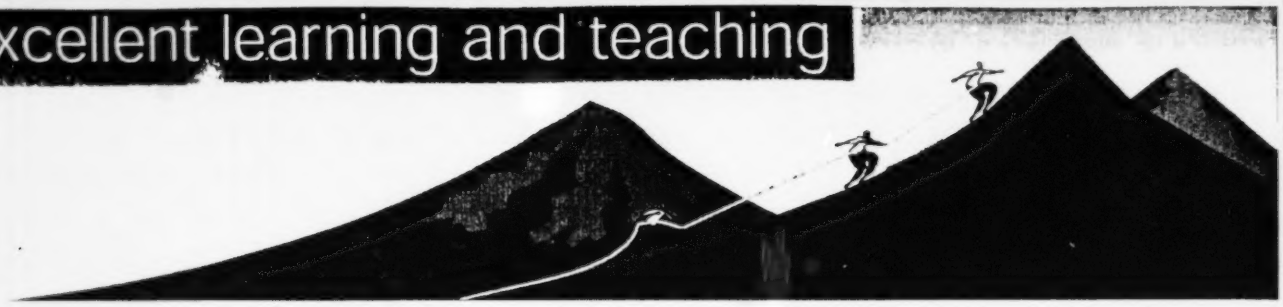
Promoting quality and good practice

We are responsible for ensuring that the quality of teaching and learning in higher education is assessed. This work is carried out on our behalf by the Quality Assurance Agency for Higher Education.

To assess quality in research, we undertake a Research Assessment Exercise, about every five years.

We promote excellence through our policies and funding methods, but also by providing guidance on good practice. Guidance has been published on issues ranging from financial management, to implementing strategies for human resources, to providing higher education in further education colleges. Generally this is drawn from in-depth studies of what works in the sector. Similarly we fund national co-ordination teams to support developments and share good practice in areas such as widening participation, and teaching disabled students.

Excellent learning and teaching



Through our policies and funding initiatives we aim to raise the status of teaching in higher education, to support innovation, and to promote continuous improvement for the benefit of students.

Total HEFCE funds for teaching in 2003-04 will be £3,399 million – 3.8 per cent more than in the previous year (1.6 per cent higher in real terms). These funds are distributed by formula, following a set of principles established in consultation with the sector (see page 9). Out of this total, we have set aside a substantially larger amount (£265 million) to help HEIs recruit and support students from disadvantaged and non-traditional backgrounds, and students with disabilities (see page 10).

In addition, we allocate special funding for particular initiatives. Their common objective, as set out in our strategic plan and the Government's higher education White Paper, is ensuring that all institutions provide excellent teaching and a high quality experience of higher education to all their students. Our funding policies are based on the belief that enhancing the quality of learning and teaching, and increasing opportunities for more people to benefit from higher education, are inter-dependent.

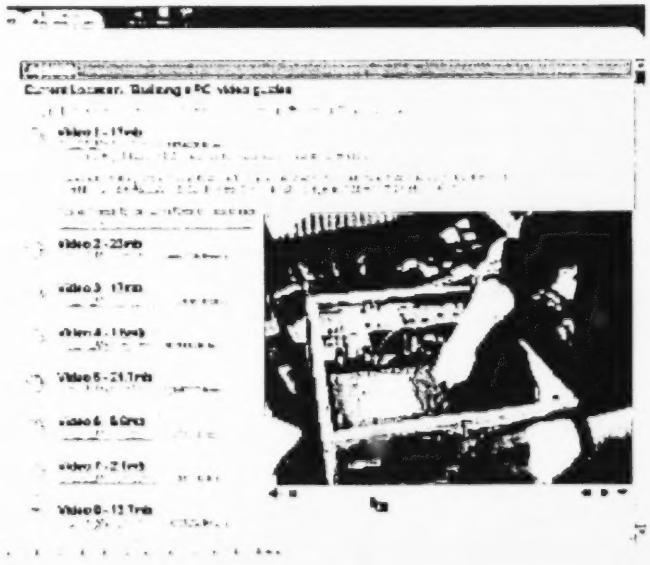
Special initiatives include the Teaching Quality Enhancement Fund (TQEF), the development of foundation degrees, and support for higher education courses in further education colleges.

TQEF funds continue to be used to invest in quality at three levels:

- for the institution, to enable them to implement their own strategies for enhancing the quality of learning and teaching

HE in further education colleges

City College Manchester is one of many further education colleges that have received HEFCE funds to enhance their higher education courses. Over the last two years, staff have used the funding to develop materials for the college's virtual learning environment (VLE). This has made a real difference to staff and students. It has enabled practical learning processes – such as building a PC, pictured here – to be demonstrated visually, and for students to access learning materials from work or home. Staff have also used the VLE for tutor and student profiles, to provide handouts, and to pilot a system of assessment for students with hearing impairments.



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- to embed good practice and encourage innovation at the subject level. This is achieved through the network of 24 subject centres and a generic centre that make up the Learning and Teaching Support Network; and through the discipline-based Fund for the Development of Teaching and Learning (FDTL)
- for individual teachers, through the National Teaching Fellowship scheme (see case study), which aims to reward outstanding teachers, and to enable them to share their expertise.

Further TQEF grants of over £30 million in 2003-04 will help the sector to build on these achievements.

Foundation degrees and employability

Foundation degrees were set up with the DfES in 2001-02, as a new two-year higher education qualification. They aim to give people the intermediate technical and professional skills that are in demand from employers, and to provide a more flexible and accessible way of studying. Programmes have been developed by consortia of higher and further education institutions, employers, and training organisations, in a range of vocational subjects – from textiles, to forensic science, to e-commerce.

During the year, an additional 9,000 students enrolled on foundation degree courses, taking the total to over 13,000. In developing courses, the consortia have been assisted by a national support team, events, and a report identifying factors that contributed to success. Additional funding of £400,000 has already been allocated for 2003 to enable them to transfer the lessons learned. And we are developing proposals to establish a national body for foundation degrees, Foundation Degree Forward, to act as a centre of expertise and a validating body.

Giving students the skills they need to get good jobs and to succeed at work has become an increasingly important role for higher education. Recognising this we are funding a new Enhancing Student Employability Co-ordination Team (ESECT). The team began its work in September 2002, and will work with the Generic Centre of the Learning and Teaching Support Network to identify and promote good practice for all stakeholders – institutions, employers and students.

Speaking the same language

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'All in all I wish all the lessons were like this' – was one student's comment on an innovative collaborative teaching project for first years studying Dutch society and culture at University College London and the Universities of Sheffield and Hull. The project included video-conferencing sessions between the three institutions, interaction through a web-based discussion board and chatrooms, as well as course materials.

The project is part of a programme created by the University Council of Modern Languages and managed by the HEFCE-funded LTSN subject centre for languages, linguistics and area studies. A key objective is to draw lessons about the benefits and problems of collaboration.

Developing HE in further education

This was the second year of an initiative working jointly with the Learning and Skills Council, with funds of £18.5 million over three years, to help further education colleges (FECs) develop their higher education courses and to improve standards. FECs have a proven track record in recruiting students from under-represented groups, and in meeting local and regional skills needs. Their crucial role in building capacity for HE has also been recognised in the Government's White Paper.

During the year we commissioned a study of the way HE is managed and delivered in FECs. The results, based on extensive research and consultation with academic staff, were published in two guides – one focusing on the issues for managers, and the other highlighting good practice for tutors and lecturers.

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Future developments

An important strand of activity during the year in our drive to promote good practice has been the work of the Teaching Quality Enhancement Committee. We set up the committee with Universities UK and SCOP to review the support for enhancing learning and teaching, as institutions seek to meet the needs of an increasingly diverse student body.

Virtual learning for all

Coventry University's high-tech online learning environment has been developed over five years to enhance the learning of a culturally diverse student population. Coventry's students lead busy, urban lives, balancing study with work and social commitments, and the learning environment helps them deal with this complexity. They keep in contact with module tutors and fellow students through online discussion groups and collaborative group work over the web. Students use their personal study profile page to link directly to materials and information to support their learning.

Half the university's taught modules make active use of the web-based facility, supported by a specialist team and by Teaching Fellows. A dedicated Learning and Teaching Task Force undertakes development projects and evaluative research on the use of e-learning pedagogy.

Its report, published in January 2003, recommended bringing together into one body the three main agencies responsible for improving quality and supporting the professional development of teaching staff: the Learning and Teaching Support Network, the Institute for Learning and Teaching in HE, and the Higher Education Staff Development Agency. The new body, provisionally called the Higher Education Academy, is being set up under the leadership of Professor Leslie Wagner.

Another major development for the future, announced in our strategic plan, will be additional funds for around 70 Centres of Excellence in Teaching and Learning. Our aim is to reward practice that produces excellent learning outcomes for students, and to identify 'beacon' institutions that can develop innovative learning and teaching methods to meet students' needs. The centres would be expected to share lessons in order to improve quality and promote innovation throughout the sector. We are consulting on the proposed criteria for selecting and funding centres.

Quality assurance

Alongside funding initiatives and promoting best practice, quality assurance mechanisms also have a key role in maintaining and improving standards. We are responsible for ensuring that the quality of the higher education we fund is assessed. These assessments are undertaken on our behalf by the Quality Assurance Agency for Higher Education (QAA).

Following an extended process of consultation and piloting, a new method of quality assurance was introduced in 2002-03. Every institution has its own internal procedures for monitoring and reviewing quality and standards. The new method is based on independent audits to ensure that these procedures are effective, and that HEIs are providing useful, reliable and up-to-date information to students and employers.

To help students make informed choices, the QAA publishes benchmark statements for each subject, making explicit the characteristics and standards of a degree in that subject. Institutions are also asked to produce a programme specification, describing the content, and learning and assessment methods of the course.

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National Teaching Fellow

Since winning her Fellowship last year, Kay Sambell of Northumbria University has been developing her expertise in innovative assessment. She was one of 20 lecturers to be awarded £50,000 each in the HEFCE National Teaching Fellowship scheme, to be used for projects that will make a significant contribution to learning and teaching. In the first stage of her project Kay Sambell has co-ordinated a network of innovators within her discipline, Childhood Studies. The group has been developing new materials to help non-traditional students tackle their assignments effectively. Sambell has presented her work at a number of conferences in the UK and America, and has led staff development seminars in Norway and South Africa.

Information on quality and standards

During the year we have continued to work with partner bodies, and in consultation with the sector, to determine what information institutions should provide, and how. This followed from the report of a Task Group that we set up jointly with the QAA, Universities UK and the Standing Conference of Principals.

As part of their audits of universities and colleges, QAA auditors will check that each institution holds a standard set of information on internal quality assurance methods and students' achievements. The categories of information that are relevant to potential students, their parents and employers, will be published on the web via the HERO portal web-site.

The Task Group also recommended that feedback should be collected through a national survey of recent graduates. With the partner bodies we commissioned a project to advise on the design and implementation of such a survey, and established a steering group to recommend a way forward. A pilot project is under way to ensure that the survey provides valid and reliable results that will inform prospective students and other stakeholders. A full survey will be carried out in 2004.

Funding principles

Nearly three-quarters of HEFCE funds support learning and teaching, and most of this is allocated by a set formula. This formula is designed to be fair. We allocate similar levels of funding for similar subjects, wherever they are taught. We recognise that some universities and colleges have higher costs, for example because they teach specialist subjects, or because they are in London; and we recognise that some students cost more to teach, for example those from disadvantaged backgrounds.

Subjects are divided into four price groups, based on the average spent by universities and colleges on teaching them. We take account of the number of students studying in each of these groups to help distribute the money each year.

- A – the most expensive subjects – the clinical stages of medicine and dentistry
- B – laboratory-based subjects such as science, pre-clinical medicine and engineering
- C – subjects with a studio, laboratory or fieldwork element, such as geography or art and design
- D – all other subjects

Core funds for teaching, as with core funds for research, are distributed as a 'block grant' that universities and colleges can distribute internally according to their own priorities, within our broad guidelines.

We are consulting the sector on proposals to strengthen the funding method for teaching, with a view to introducing any changes from 2004-05.

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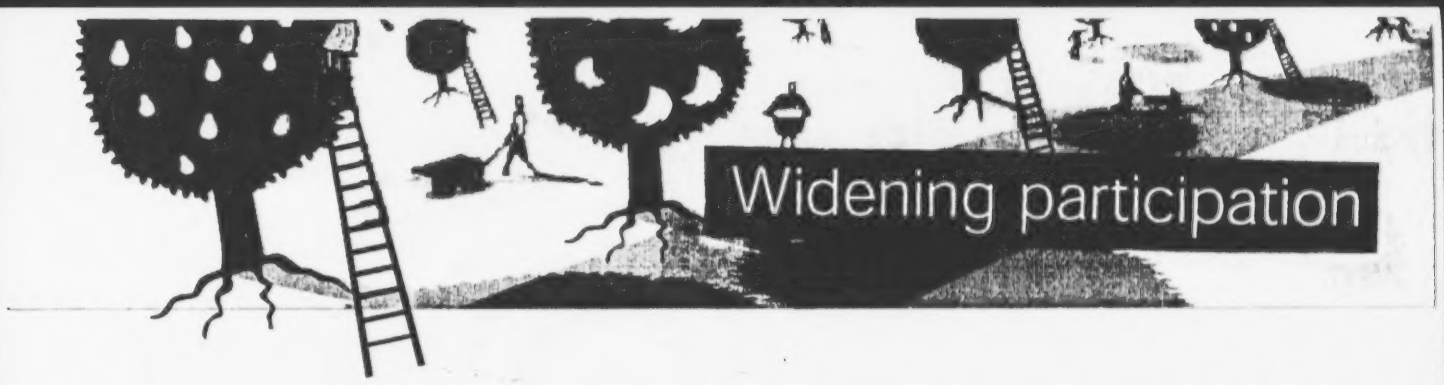

Widening participation

Enabling a wider range of students to enter and succeed in higher education is a common goal for providers and funders of HE.

The benefits of achieving that goal are clear – for society and the economy by providing a better educated and higher skilled population, but also for individuals. Recent research shows that as well as earning more than non-graduates, graduates of all ages and social classes are healthier, more tolerant towards other races, and more likely to vote and to be involved in their communities.

In the drive to widen participation we are working increasingly closely with universities and colleges and schools, and with partners such as the Learning and Skills Council (the funding body for further education), and the Department for Education and Skills.

Activities by all these stakeholders fall into two main areas. The first strand is to raise the aspirations of people from disadvantaged backgrounds, to encourage them to continue their studies or to upgrade their skills when they are at work. The second strand, once they are in HE, is to help them succeed. Clearly these two strands depend on each other.

Additional funding

In April 2002 we consulted the sector on how best we could support them in widening participation, through our policies and funding methods. In the light of responses, we have changed our allocation method, setting aside £265 million in 2003-04 from the overall core funds for teaching, to reflect more accurately the true costs of supporting non-traditional students.

We have also established funding principles for 2003-06:

- all institutions will receive core funding for widening participation

Summer at university

Higher education summer schools delivered by HE institutions have become an important element in raising aspirations, targeted as they are at year 11 pupils from schools and families without a tradition of progression to university.

The North-East of England received funding in 2003 to offer 534 places at local summer schools and 68 places at national 'specialist' institutions. Pictured is Badria Abdulraouf in an art workshop at Northumbria University.

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Network of Hope

One of many innovative approaches to widening participation in the North-West is the Network of Hope. Now in its fifth year, this is a partnership between Liverpool Hope University College and three Roman Catholic sixth form colleges from the further education sector. The network provides accessible higher education for those parts of the North-West often referred to as HE 'cold spots'. Almost all students are from within a 10 mile radius of the colleges and most of the part-time students are in employment.

- the majority of core funds should be used to support students in HE that are at higher risk of dropping out; the special funds from the Partnerships for Progression initiative will fund most 'outreach' work to raise aspirations
- the method of allocating core funds will change to provide a more reliable way of identifying which students are at risk of dropping out. The new method takes account of the previous educational achievement and age of students, as well as whether they come from areas where participation in HE is low.

Aiming higher

The second strand of activities – raising the attainments of students and their aspirations to enter HE – depends on many others outside the HE sector, particularly further education colleges and schools. Recognising this, we set up a joint initiative with the Learning and Skills Council, called Aimhigher: Partnerships for Progression (P4P), with total funding of £60 million for the three years 2003-06. In the future, initiatives from the DfES such as Excellence Challenge will be co-ordinated under the single banner of 'Aimhigher'.

Funds through Aimhigher: P4P are supporting activities such as open days for children and parents to increase awareness of HE; access and foundation programmes to improve progression routes from further to higher education; and mentoring, short courses and summer schools to prepare students more effectively for HE.

Summer schools have been one of the most successful ways of reaching out to under-represented groups (see case study). They offer school pupils a taste of what studying at university is like, and the opportunities it can bring. We are continuing to fund a separate summer schools programme, on behalf of the DfES, at £4 million a year for three years 2003-06. From 2004, it too will be integrated with the Aimhigher initiative.

To build on all the good practice that is being developed in the sector we fund two national co-ordination teams: Action on Access and the National Disability Team.

Support for teaching disabled students

Groups that are under-represented in HE include people with disabilities. Again we provide institutions with both core and special funding to recruit disabled students and to help them get the most out of higher education.

Core funds total £10 million in 2003-04, and are based on the numbers of students who receive the Disabled Students Allowance. Special funds of £5.5 million are supporting 54 projects from 2003-05, to improve provision in small or specialist institutions and to develop resources for teaching disabled students.

Monitoring progress

For the first time in 2002, we published data on the percentage of students at each HEI who receive the Disabled Students Allowance. This allows institutions to benchmark themselves against others. The data form part of the annual set of performance indicators, which also show drop-out rates, and how successful each HEI has been in recruiting students from disadvantaged backgrounds and areas where participation in HE is low.

The Government's White Paper proposes to create an Office for Fair Access. We are committed to working with the sector and the DfES to take this forward, ensuring that the burden on institutions is minimised.

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World-class research

In funding research our policy is to be selective – so that the best research departments receive the largest share of public money.

The total funds for research for 2003-04 will be £1,042 million, an increase of 11 per cent over 2002-03. We allocate this money according to the quality and amount of research being done. To assess quality we conduct a UK-wide Research Assessment Exercise (see page 13).

Results from the 2001 RAE showed improvements across the sector: two-thirds of work submitted was assessed as being of national or international excellence. For the first time, details of all the 200,000 submissions from over 50,000 staff have been made available through the HERO web portal, as a searchable database.

However, the increases in quality meant that there was not enough money to fund all research at previous levels. So our priority has been to support the highest-rated departments: in 2002-03, 75 per cent of HEFCE research funds were allocated to 25 institutions.

Funding decisions for 2003-04 were referred to Ministers. As a result we announced that we would:

- maintain the resources for 5* departments in real terms compared with 2001-02
- provide an extra £20 million to recognise the 'very best' departments. In 2003-04 these are defined as the departments awarded a 5* rating in both the 1996 and 2001 RAEs; but we will be consulting the sector on how to distribute this money from 2004-05
- restore in real terms the average unit of resource for 5-rated departments to 2001-02 levels
- allocate the remaining quality-related research funding to departments rated 4
- discontinue core research funds to 3a-rated departments, but set up a £20 million capability fund to support research in specific emerging subject areas such as social work and sports-related studies.

Electronic challenges

A University of Surrey team led by Professor Ravi Silva (pictured), has been awarded a Research Council grant of £6.14 million over five years to address the integrated electronic challenges of the future.

Radical alternatives to established microelectronics technologies promise to revolutionise applications in wireless multi-media communications and medical imaging systems. Futuristic concepts such as wearable multi-media communicators and wrap-around medical diagnostic systems are envisaged, using novel materials.

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Reviewing quality assessment

With increasing selectivity, it is vital that stakeholders continue to have confidence in the RAE. So, in June 2002 Sir Gareth Roberts was commissioned to conduct a wide-ranging review of research assessment on behalf of the UK funding bodies. The work was supported by a steering group drawn from the sector, and by HEFCE staff, and involved extensive research and consultation.

Key themes emerging were support for a process of expert peer review, and the need for a clear link between the outcomes of assessment and the amount of funding awarded. There were also calls for more transparency, particularly in the way panels are selected.

In the light of the review's recommendations, and responses to the consultation, we aim to agree with the other funding bodies a common approach to research assessment. However, each body will make its own decisions on how assessments are related to funding.

Support for infrastructure

HEFCE funds for research contribute to the infrastructure costs of staff salaries, facilities and equipment. This forms the basis for project work supported chiefly by the Research Councils and the Arts and Humanities Research Board – the so-called dual support system – but also by industry, charities and the NHS.

To address past under-investment in research infrastructure, 100 universities and colleges received a total of £600 million in 2002-03 and 2003-04 through the Science Research Investment Fund (SRIF). This is a joint initiative with the Office of Science and Technology and the Department for Education and Skills to help HEIs replace or upgrade the buildings and equipment used for research. In February 2003 we announced a second round of SRIF funding, and have allocated grants totalling £845 million.

Secrets of the Earth

EAGLE (The Ethiopian-Afar Geophysical Lithospheric Experiment) is a major British initiative to investigate how the African continent is splitting along the Ethiopian Rift. Dr Cindy Ebinger and Dr Mary Fowler of Royal Holloway's Department of Geology are leading a team of scientists from the Universities of Leicester and Leeds in collaboration with the University of Addis Ababa and Ethiopian government groups. Seismic echoes from controlled explosions and natural earthquakes will be recorded to provide an image of the top 100 km or so of the Earth, giving a 3-D picture of a continental rift system immediately prior to the formation of an ocean basin.

Research assessment

On behalf of the four funding bodies for UK higher education, we conduct a Research Assessment Exercise (RAE), every four to five years. The last RAE was in 2001 and provided judgements of quality to underpin funding decisions from 2002-03.

Institutions submitted the outputs of their research in up to 68 subject areas.

These were reviewed by expert panels, and rated on a seven point scale from 1 (the lowest), through 2, 3b, 3a, 4, 5 and 5* (five star). Ratings, and the amount of research undertaken, determine the core funding for research we give to each institution.

The process for review, the criteria adopted by panels and the results are all available on the web (www.hero.ac.uk/rae).

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Links with business and the community

Activities by universities and colleges in partnership with business and the wider community continue to increase in number and range.

Higher education has always had a role in knowledge transfer, making available its expertise and resources for the cultural, social and economic benefit of the nation. Over the last four years, targeted funding from HEFCE and from the Office of Science and Technology (OST) has enabled them to expand this strand of activity. The joint Higher Education Innovation Fund (HEIF) is supporting 89 projects, including 16 collaborative programmes, at a cost of almost £80 million in 2002-03 and 2003-04. It complements OST initiatives such as Science Enterprise Challenge and University Challenge.

Such funds are often called 'third leg' or 'third stream', because they are in addition to the two main funding streams – for research and for learning and teaching. The projects supported range from setting up spin-out companies, to providing consultancy to large and small businesses, to offering training to meet specific skills gaps.

Under a parallel initiative, the Higher Education Active Community Fund, all English HEIs were allocated money for 2002-03 and 2003-04 to support voluntary activities by staff and students. This is a joint programme by HEFCE and the Home Office as part of the wider Home Office Active Community Fund (see case study).

Commitment to continued funding

The importance of these links with business and the wider community was highlighted by the Government's commitment in July 2002 to make HEIF a permanent third stream of money for universities and colleges, with funds rising to £90 million a year by 2005-06.

We have reinforced that commitment by undertaking to

Prison visiting

© 2003 Guardian Newspapers Photograph: Graham Turner

A scheme supported by the Higher Education Active Community Fund and run by Goldsmith's College in London is recruiting students as volunteer prison visitors. Known as 'Inmates', the scheme has recruited and trained over 40 volunteers.

Training is organised in conjunction with UNLOCK (the National Association of Ex-Offenders). Volunteers usually visit prisoners who receive no other visitors, so commitment is important. Students and staff of the college are currently visiting at three prisons and hope to add another three next year. Project leaders are beginning to look at rolling out the scheme nationally.

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continue support for the Higher Education Active Community Fund, and allocating up to £10 million in transitional funding for projects supported under the predecessor to HEIF – the Higher Education Reach-out to Business and the Community Furid.

Knowledge Exchanges

A total of £187 million will be allocated through HEIF for the two years 2004-05 and 2005-06. Detailed arrangements for allocating and monitoring the funds have been the subject of consultation. They include proposals to strengthen the role of less research-intensive institutions in knowledge transfer, specifically through a network of up to 20 Knowledge Exchanges, as announced in the White Paper and developed in our strategic plan.

Knowledge Exchanges will be exemplars of good practice, and will receive start-up funds of £16 million over five years through the second round of HEIF. It is envisaged that their role will be to exploit existing knowledge and technology – to solve the 'real world' problems faced by private and public sector organisations.

This will include meeting needs for specific job-related skills. Here Knowledge Exchanges will be part of a wider network with the New Technology Institutes, which were set up with funding of £25 million over two years in 2002-03 and 2003-04. These consortia of HEIs, further education colleges and private sector partners are providing IT and other high-tech courses, and advising small and medium sized companies on adopting new technology.

In these and all future third stream activities, there will be an increasing emphasis on responding to regional needs, working closely with the Regional Development Agencies, collaborating with other funders to make the best use of public money, and sharing good practice.

Evaluating progress

Institutions were able to draw on the results of the third survey of interactions between higher education and business, published in March 2003. We commissioned the survey on behalf of a group of stakeholders, and received returns from 98 per cent of all UK universities and colleges.

They provided quantitative data on the number and extent of different activities, such as patents applied for and spin-out companies created, and qualitative information about their policies and priorities for third stream activities. Where relevant, results are grouped, so that universities and colleges can benchmark themselves against similar organisations.

In future, to reduce the administrative burden, much of the data may be gathered through existing processes by the Higher Education Statistics Agency. Work is continuing to develop the survey to provide robust indicators that institutions and funders can use to evaluate and monitor third stream activities.

Supporting new enterprise

An award to the University of Manchester through the joint HEFCE/OST Higher Education Innovation Fund has been used to establish the Manchester Business School Incubator. The incubator combines an option within the MBA programme, designed to give students greater insight into the issues faced by small businesses, with a commercial approach to supporting new ideas.

Two local entrepreneurs, Ian Wilson (above left) and Bill Lewis (above right) of Wilson Lewis Innovations Ltd have been working with the incubator and its commercial partners, on an idea for a consumer product and on turning their idea into a commercial concern. Manchester student Joe McGrath undertook a market analysis of the project as part of his MBA. He has since worked part-time with Wilson Lewis Innovations and has helped develop the business structure.

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Supporting themes

Building on institutions' strengths

With increasing demands on the sector, and limited funds, few universities and colleges can deliver excellence in all areas of activity. So we aim to support them in building on their strengths.

Collaboration in action

Since its inception, the Dorset, South Somerset & South Wiltshire Higher Education Partnership (DSW) has become a model for the collaborative provision of higher education in the region. Its marketing strategy focuses on supplying information on all the courses available, through a single prospectus and web-site, rather than competing for students. (Pictured is one of the students featured in the prospectus, Mark Eldridge, who is studying part-time for an HNC in Arboriculture while working for Dorset County Council.)

This diverse group of institutions – the Arts Institute at Bournemouth, Bournemouth University, Bournemouth & Poole College, Kingston Maurward College, Salisbury College, Weymouth College and Yeovil College – are united in developing new HE programmes and progression routes, and improving support services for students.

The English higher education sector is extremely diverse: institutions vary in size, age, history, mission and priorities for development. This diversity is important, because it offers choice for students, and makes for a dynamic system that can adapt to meet demands from society, employers and students. However, those demands are ever more complex. The student population has expanded rapidly and now includes people from a wider range of backgrounds, with different support needs; global competition in research, knowledge transfer and the provision of courses is increasing; and public funding is necessarily limited.

Faced with these challenges, our strategic plan proposes that the best way to maintain a healthy and diverse sector is to encourage institutions to focus on their strengths, while building new partnerships.

Collaboration not competition

Those partnerships may be on an international, national or regional level. They may be based on common interests such as particular areas of research, or subject communities, or innovative methods of delivery. They may be between HEIs, and/or with further education colleges and private sector partners.

To support such links we have continued to fund the UK-wide Joint Information Systems Committee. JISC provides a world-class IT network for academics and researchers, which now covers further education colleges as well as HEIs; access to a wealth of scholarly resources online; and advice on developing new ways of learning, teaching and research.

Another joint project with the sector and private companies, UK eUniversities Worldwide, is supporting

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HEIs in offering high quality online courses so that they can compete with international providers, such as from the US. The technical platform is in place; and a large portfolio of courses is being developed for a full launch in autumn 2003.

Regional dimension

Regions are growing in significance as a focus for economic and social regeneration, especially through Regional Development Agencies and the proposed regional assemblies. We have continued to provide comparative data on HE for each region, through the annual 'Regional profiles of higher education'.

We believe that is important to ensure that every region can offer the full range of HE services – teaching, research, support for business and the community, and opportunities for a wide range of students. Often this may only be feasible through closer collaboration.

Regional consortia of HEIs have a central role in co-ordinating collaborative activity, and in linking with regional partners outside the sector. We have continued to fund these consortia in each of the nine English regions. And we have funded a number of projects through our Restructuring and Development Fund to enable all the higher and further education colleges within a region to set up systems for joint working, and to co-ordinate the courses offered.

Stronger support

Our strategic plan outlines a number of activities to strengthen our support for institutions in undertaking the structural change that may be needed to focus on particular areas of excellence.

In January 2003 we announced a new Strategic Development Fund (SDF) to replace the Restructuring and Collaboration Fund. The SDF will help to deliver the priorities outlined in our strategic plan, and in the Government's White Paper. In the first year, it will be used to support:

- strategic change or development, particularly where it builds on institutions' strengths and/or benefits the wider sector
- collaboration, including consortia, strategic alliances, partnerships and mergers
- two or three multi-partner large-scale collaborations, as pilot projects.

Additional funds will also be available to institutions that have particular strengths in knowledge transfer and in learning and teaching. We will be allocating funds for up to 20 Knowledge Exchanges (see page 14), and around 70 Centres of Excellence in Teaching and Learning (see page 8). The funds will enable institutions to focus on these areas, and to share their expertise.

Specialist knowledge

Small specialist institutions are an important aspect of the diverse higher education sector in England. Pictured are students at the Bristol Old Vic Theatre School, the newest member of the Conservatoire for Dance and Drama (CDD). The CDD was established in 2001 in collaboration with HEFCE, to put the future of vocational dance and drama training in higher education on a secure footing.

The affiliate structure supports the development of small institutions and provides formal opportunities to share practice and extend knowledge across the sector. Original members were the London Contemporary Dance School and the Royal Academy of Dramatic Art. In 2002-03 the CDD expanded to include the Northern School of Contemporary Dance in Leeds and Bristol Old Vic Theatre School.

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Leadership, governance and management

We are continuing to support universities and colleges in enhancing effective leadership, governance and management in a time of constant change.

Universities and colleges are legally independent self-governing corporate bodies. Their councils and boards of governors are responsible for effective management and development. Our role, working with other funders and representative bodies, is to support them in those activities. This is identified as one of the three cross-cutting themes of our strategic plan.

Of course we also have a responsibility to ensure that public funds are used properly, and that institutions are accountable. But we believe that we can do so more efficiently, with less duplicated effort and less bureaucracy, by working in partnership with the sector.

Good governance

Our key partner in promoting good governance is the Committee of University Chairmen – the CUC. We have continued to support its activities during the year, enabling governors of universities and colleges to share ideas and expertise, and to keep up to date with developments in higher education.

In November 2002 we held our fifth annual meeting for chairs of governing bodies. And we sponsored a further CUC event in May 2003 to give governors an opportunity to debate the proposals in our strategic plan. In response to demand, we are planning audit workshops for members of audit committees in universities and colleges.

Accountability burden

During the year we have worked with other groups and other funders to reduce the burden of accountability, in areas such as data collection, funding processes and quality assurance procedures. Partners in this work include the Better Regulation Review Group chaired by Professor David VandeLinde, the Information Management Task Force, and the Quality Assurance Agency.

In our own processes too we have sought to minimise administrative burdens. For example, the new approach to audit introduced during the year is based on ensuring that institutions have effective systems for running their affairs and managing risks, rather than imposing a duplicate layer of checks. In allocating special funding, wherever possible we do so by a formula rather than asking for competitive bids, which take time and effort to prepare and assess. We then ask institutions to set their own targets for achieving the broad aims of the initiative, and we monitor progress against those targets – usually through the statement returned to us in July each year.

Building on what works

The same spirit of partnership underlies our work to promote good practice. We have continued to support the UK Value for Money Steering Group. The group commissions studies of particular areas of higher education management, to identify what works and to provide practical guidance to improve systems and secure value for money.

Current projects include an update on energy management, and catering services. During the year, we published guides on security services, and the management of cleaning.

With the DfES and others, we are contributing to the development of sustainable activities and improved environmental performance in the sector.

Our Good Management Practice programme is funding 50 projects, at a total cost of £7.5 million. We are distributing an additional £2.2 million to existing projects to help them embed and disseminate the outcomes.

In several cases, institutions are using the money from this initiative to explore how systems and approaches used elsewhere in the public and private sectors could benefit higher education. Examples include mentoring, use of the Excellence Model developed by the European Foundation for Quality Management (see case study), and benchmarking performance and then seeking out good practice to improve that performance.

Adopting the Excellence Model

Mark Swales (left), Head of Business and Facilities Operations at Sheffield Hallam University, has been working on a project funded under HEFCE's Good Management Practice Programme. The three-year project aims to evaluate the benefits of using the Excellence Model devised by the European Foundation for Quality Management (EFQM).

Annual self-assessments against the model have highlighted areas of proven success and others with the potential for improvement. Results are incorporated into the business planning process, and have informed good practice guidance on the management of catering services.

Well-run estates

One area where information for benchmarking is well developed in HE is for estates.

In December 2002 we issued the third set of detailed estates management statistics, with data from 157 UK institutions covering use of space, operating costs, and the condition of buildings and facilities. Better information means HEIs are able to make better decisions on how to manage their estates. The system offers sophisticated methods of analysis tailored to the needs of individual institutions.

Along with the other UK funding bodies, and representative bodies from the sector, we continue to support a central resource of information and guidance on the web for estates staff in higher education (www.heestates.ac.uk).

Financial advice

The funding of higher education has become increasingly complex: institutions have many and varied sources of income, both public and private (see page 30), and face a wider range of risks. To help them take a more proactive and strategic approach to managing their financial future, we published two further guidance documents based on good practice in the sector – on developing a financial strategy (HEFCE 2002/34), and on investment decision-making (HEFCE 2003/17).

We fund two UK-wide groups, one dealing with procurement and the other with costing and pricing, which work to ensure that good practice is identified, developed and shared throughout the sector. Both make extensive use of the web, as well as seminars, events, and local and regional groups.

Managing people

Managing any organisation is as much about people as about money and projects. Through our initiative for rewarding and developing staff, we are distributing £330 million over the three years 2001-04. The aim is to help the sector develop its management of human resources so that it can recruit, develop and retain high quality staff.

An evaluation published in October 2002 showed that the initiative has started the process of reform in the systems for recruitment, promotion and performance management. It has enabled HEIs to introduce projects for addressing equal opportunities, and job evaluation to ensure equal pay for equal work, as well as measures to improve the skills of managers. To build on this success, we will be allocating a further £167 million for two years from 2004-05, following consultation with the sector.

A significant development in this area is the creation of a new Leadership Foundation – an initiative from the organisations representing the sector (Universities UK, the Standing Conference of Principals and the CUC), which builds on the work of the Higher Education Staff Development Association. With the other funding bodies we have earmarked £10 million over three years to pump-prime the new organisation, which is expected to be up and running in January 2004.

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International perspective

We are continuing to work in partnership to facilitate opportunities for international collaboration.

Higher education is a global activity and this country is an acknowledged leader in the field. We benefit from others who choose to study or work in our higher education sector. Equally, as policies and practices change, it is important that we continue to learn from others and find ways to open up opportunities for development, collaboration and sharing good practice.

During the year we began revising our international strategy, allied to the strategic plan, and to consolidate our efforts in three interlinked areas: learning from others, supporting national systems development, and facilitating opportunities for collaboration.

People and projects

Despite difficulties with international travel imposed by the war in Iraq and SARS, we received 39 groups of visitors during the year, from 30 countries, as well as visits from partners in our joint programmes.

We have built on our links with Brazil, China, Japan, Thailand, and the US. And we have maintained contact with partners in South Africa, India and Indonesia.

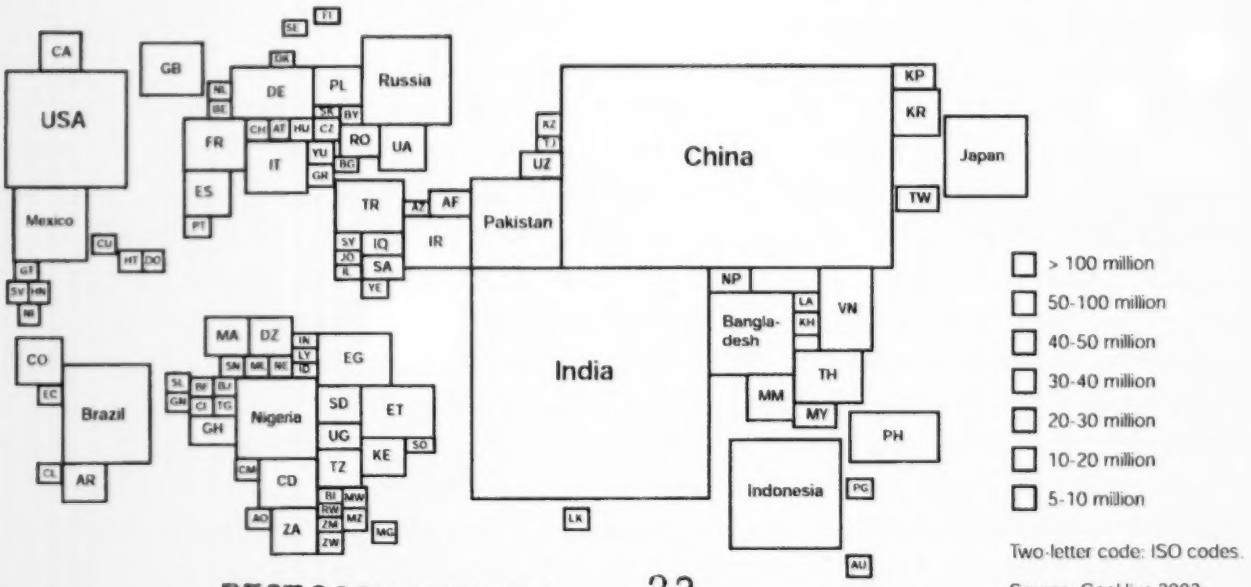
In Brazil we completed a three-year pilot project to identify good practice in international research collaboration. A full report is on the HEFCE web-site.

Europe too is high on our agenda, particularly in the light of the Bologna Declaration. The declaration is a commitment by the ministers of education in 33 countries to create a comparable system of graduate and postgraduate education across Europe, in order to maximise mobility of students. We have commissioned research into the level of overseas mobility of UK students. And with other UK partners we are working to help galvanise the UK's response to European initiatives.

Electronic links with national and international partners will be increasingly important to share knowledge. We are discussing development of a web-site with OECD and UNESCO. Other projects during the year to improve electronic communications include:

- a source to help UK enterprises develop business in China, by drawing on academic expertise
- a database compiled by the University of Oxford of UK scholarly interest in, and links with, Brazil.

Size of countries based on population



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Source: GeoHive 2003: http://www.geohive.com

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Developing the organisation

We now have a firm foundation for delivering our strategic plan, working to the highest standards in everything we do.

The year has been one of change and new challenges, within HEFCE as much as in the sector. Much of our energy has been devoted to working with the sector, government and other stakeholders in formulating and consulting on our strategic plan for the next five years. Staff at all levels have been engaged in that process.

A practical outcome has been an internal restructuring (see below). We believe this structure will enable us to offer better support to universities and colleges in meeting the challenges of a broader agenda for higher education.

As part of that restructuring, we have realigned teams so that there is more integration between those involved in policy development and those who have closest links with universities and colleges. All directors now oversee HEFCE activities in at least two regions.

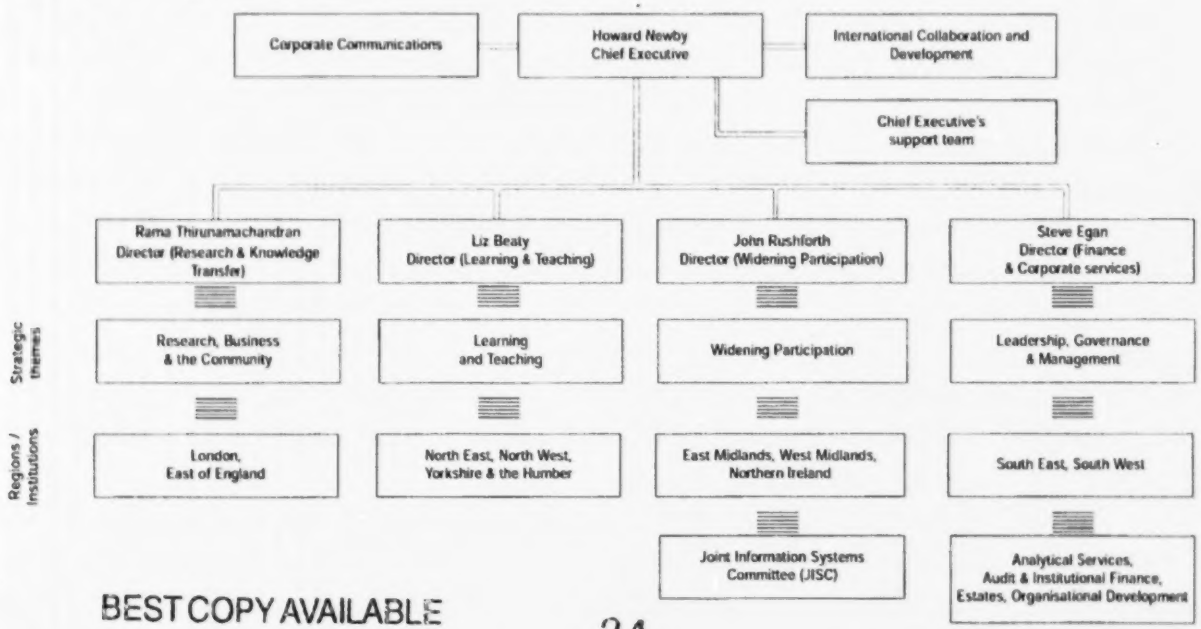
Results from a survey conducted by MORI in 2002 show that institutions value those links, and would like to have more contact with us, both face to face and through electronic communications. Overall, satisfaction rates with the service we provide had risen from 59 per cent three years ago to 74 per cent. However, we recognise that there is still room for improvement and will be exploring ways to respond to the survey findings, in particular to address concerns about the burden of accountability (see page 18).

Working towards excellence

Increasingly, we are embedding into our work the principles of the EFQM Business Excellence Model. These include public responsibility, a focus on results and meeting customer needs, developing staff, and a culture of continuous improvement.

We have identified our key business processes – such as running our annual funding cycle, and monitoring the risks to the financial health of institutions – which we are now managing within the framework of the model. So far we have achieved EFQM level 1 – 'committed to excellence'. By 2008 we aim to have achieved level 2 – 'recognised for excellence'. We also achieved re-recognition as an Investor in People.

HEFCE's organisational structure



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Information: transparency and security

Wherever possible we adopt an open and transparent approach in all our activities, and have been making more information available on our web-site, in light of the Freedom of Information Act 2000. As required by the Act, we issued our publication scheme in 2002 (on our web-site under About us), setting out the types of information we hold and how to obtain it.

However, as more of our business is being conducted electronically, by e-mail and on the web, we were keen to ensure that we could maintain the confidentiality and integrity of information that we hold and collect – particularly on students, and on institutions' finances. In advance of the Government's deadline of 2005, we have met the British Standard for IT security, BS7799.

Protecting the environment

We have continued positive actions to protect the environment. We took a number of steps to reduce the number of people travelling to work by car on their own – resulting in an award from the local council; and our recycling facilities were expanded.

We also started to monitor our performance in these areas and to keep data on CO_2 emissions and water usage. We now benchmark our performance against the data published by the Energy Efficiency programme and the Forum for the Future.

Table 1 **Ethnicity of first year students in English HEIs**

	2000-01		2001-02	
Ethnicity	**Headcount**	**% of known ethnicity**	**Headcount**	**% of known ethnicity**
Asian or Asian British – Bangladeshi	3,540	0.56%	4,156	0.62%
Asian or Asian British – Indian	23,351	3.71%	26,724	3.99%
Asian or Asian British – Pakistani	11,810	1.88%	13,526	2.02%
Black or Black British – African	18,652	2.96%	20,850	3.11%
Black or Black British – Caribbean	9,192	1.46%	10,374	1.55%
Chinese	16,492	2.62%	21,938	3.27%
Mixed – White and Asian	-	-	2,887	0.43%
Mixed – White and Black African	-	-	1,585	0.24%
Mixed – White and Black Caribbean	-	-	1,755	0.26%
Other Asian background	15,013	2.38%	16,160	2.41%
Other Black background	4,742	0.75%	3,918	0.58%
Other Ethnic background	15,549	2.47%	10,919	1.63%
Other Mixed background	-	-	3,527	0.53%
Other White background	-	-	52,615	7.85%
White	511,135	81.20%	6,057	0.90%
White – British	-	-	464,107	69.21%
White – Irish	-	-	9,475	1.41%
Total of known ethnicities	**629,476**	**100.00%**	**670,573**	**100.00%**
Information refused	64,059		55,065	
Not known	70,657		95,945	
Grand total	**764,192**		**821,583**	

Notes: The data represent all first year course entrants (full-time and part-time, home and international) as at 1 July 2002. The data categories were modified in that year to reflect those used in the 2001 census, so there are some gaps in the data for the previous year.

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Promoting race equality

We are committed to promoting equality of opportunity in our activities, and in the sector as a whole.

Like other public authorities, we have a duty under the Race Relations (Amendment) Act 2000 to promote race equality. We published our Race Equality Scheme in May 2002, after extensive consultation. The scheme forms part of our overall policy on promoting equal opportunities, and identifies priorities and actions to fulfil our responsibilities.

Two of those responsibilities are to monitor the higher education sector for the impact of our policies and activities on any minority ethnic communities; and to monitor the numbers of teaching staff according to their racial group. In line with our aim to respond to the spirit as well as the letter of the law, we have gone beyond that. We are therefore monitoring all types of staff in HEIs, and all students undertaking programmes of higher education. Results are summarised in the tables below.

With the other funding bodies, we are supporting an Equal Opportunities Research Programme, which will undertake further analysis of the data on staff ethnicity. And we are also looking in more detail at the access to higher education, progression routes and completion rates of students from different ethnic groups.

Table 2 **Ethnicity of staff in English HEIs 2001-02**

Ethnicity	Total non-academic	Total academic
Asian or Asian British – Bangladeshi	194	177
Asian or Asian British – Indian	2,025	2,162
Asian or Asian British – Pakistani	570	523
Black or Black British – African	1,249	855
Black or Black British – Caribbean	1,745	533
Chinese	1,071	2,844
Mixed – White and Asian	134	177
Mixed – White and Black African	55	38
Mixed – White and Black Caribbean	92	48
Other Asian background	1,092	1,684
Other Black background	473	247
Other Ethnic background	1,446	2,371
Other Mixed background	180	236
Other White background	2,897	8,085
White	76,422	63,574
White – British	59,925	47,513
White – Irish	782	887
White Scottish	3,576	1,439
Information refused	11,037	11,485
Not known	18,451	19,638
Total	**183,416**	**164,516**

Notes: Data are from the Higher Education Statistics Agency (HESA) aggregate staff record, and give a snapshot of staff at 1 April 2002. Includes all staff with contracts of at least 0.25 of a full-time equivalent; by 2005 every member of HE staff will be included in the HESA record. Excludes associate lecturers at the Open University as no data were available; these will be included in data for 2002-03.

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Progress against key performance targets

Targets published in HEFCE's 2001-06 strategic plan; progress as at 31 March 2003

Strategic aim		
Develop and sustain effective partnerships with institutions, employers, other funding and professional bodies, and others with a stake in higher education, by providing clear and open information and promoting collaboration between them.		
Meet the standards stated in the code of practice for the consultations and special initiative exercises conducted by the Council (or where in exceptional cases that is not feasible give a clear explanation why not).	Achieved.	✔
To achieve a ratio of overall satisfaction compared with dissatisfaction of at least 6:1, as measured by the customer satisfaction survey.	Achieved.	✔
Support at least 10 major collaborations per year through the Restructuring and Collaboration Fund.	Achieved: 12 major collaborations funded.	✔

Strategic aim		
Advise Government and other stakeholders on higher education's needs and aspirations, and help make widely known the achievements and opportunities offered by higher education, particularly to students.		
Increased number of hits on HEFCE web-site by 50 per cent against the 2001-02 baseline by 2006.	In progress. Web-site traffic has risen by 18 per cent in 2002-03.	
Increased usage of HERO by 350 per cent (from 2001 baseline) by 2006.	Achieved. Visits to the site up by 393 per cent.	✔

Strategic aim		
Promote and support productive interaction between HE and business and the community, in order to encourage the transfer of knowledge and expertise and enhance the relevance of programmes of teaching and research to the needs of employers and the economy.		
All HEIs to have implemented their plans for enhancing the employability of graduates via the Teaching Quality Enhancement Fund by July 2002.	Achieved.	✔
Significantly improve the range and volume of interactions between HE and business, in aggregate, against a quantitative baseline to be defined in 2001.	Achieved.	✔
Successful implementation of 40 prototype foundation degree programmes, offering at least 2,200 places from autumn 2001.	Achieved: 37 programmes launched in 2001; 3 more began September 2002.	✔

Strategic aim		
Promote high standards of education so as to advance knowledge and scholarship, encourage improvement, enterprise and innovation, and enhance students' learning experiences and employment prospects.		
80 per cent of all institutions are evaluated as progressing towards achievement of their learning and teaching strategies target outcomes by July 2002.	On target. Review of strategies to report in July 2003.	✔
Student numbers in 2000-01 to be within 2 per cent of the Secretary of State's target.	Achieved.	✔
New quality assurance framework operational in England from January 2002.	Target overtaken by agreement to revise principles. New method introduced during 2003.	✔

Strategic aim		
Promote high standards of research so as to advance knowledge and scholarship and encourage improvement, enterprise and innovation.		
An improvement on average between RAE 2001 and the previous exercise in 1996.	Achieved.	✔
An increase in staff in units rated 5* in the RAE 2001 compared with RAE 1996.	Achieved.	✔

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Strategic aim		
Use consultation, research and benchmarking to increase knowledge and understanding of higher education, and inform policy development.		
By December 2001 to publish the third set of performance indicators including employability outcomes. (Indicators are now published annually.)	Achieved.	✔

Strategic aim		
Promote effective financial and human resource management, accountability for the use of public funds, and value for money.		
By 2004, 75 per cent of all the sector's estate will be classified as A or B (as new or sound, or only minor deterioration).	Substantial progress made, but unlikely that this KPT will be fully achieved.	
All HEIs to meet reporting requirements of Transparency Review for 1999-2000 in July 2001 and for 2000-01 in January 2002.	Achieved.	✔
20 per cent of purchases to be made through Procureweb and other collaborative projects by end 2003.	In progress.	
All HEIs to have comprehensive equal opportunities policies and monitoring procedures in place by 2002.	Achieved.	✔
All HEIs to be implementing human resource strategies from autumn 2001.	Achieved.	✔

Strategic aim		
Contribute to the healthy development of higher education in this country and overseas by learning from international experience, and helping to promote the reputation of UK higher education abroad.		
Establish six collaborative programmes in strategic countries involving ourselves and other appropriate national partners, by 2004.	Achieved.	✔

Strategic aim		
Encourage institutions to increase access, secure equal opportunities, support lifelong learning, and maximise achievement for all who can benefit from higher education.		
Participation by socio-economic groups currently under-represented in HE rises faster than growth in overall numbers between 1999 and 2004.	This KPT is under review with the DfES.	
Significant increase in the number of HEIs using performance indicators in order to set widening participation targets. Quantitative and qualitative analysis by Action on Access of strategic action plans.	On target.	

Strategic aim		
Maintain and encourage the development of a wide variety of institutions, with a diversity of missions that build upon their local, regional, national and international strengths and are responsive to change, within a financially healthy sector.		
e-University to be operational by the end of 2002.	Technical platform and one pilot programme in place. Full launch due autumn 2003.	
Within eight weeks of an institution being identified as in immediate financial difficulties, to identify the problems and to agree the necessary action.	Achieved.	✔

Strategic aim		
Enable our staff to provide a high quality service, within an open and supportive working environment.		
To be among the top 20 per cent of UK public sector organisations, as measured by the Excellence Model, by December 2004. (Objective revised in light of 2003-08 strategic plan: 'By December 2008 HEFCE to be assessed by the EFQM as maintaining level two – Recognised for Excellence.')	In progress. January 2003, recognised as level one – Committed to Excellence.	
98 per cent of payments to suppliers to be within 30 days' receipt of a valid invoice.	Achieved.	✔
All profiled grant payments paid in accordance with our published payments schedule, to 100 per cent accuracy over the planning period.	Achieved.	✔

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Funding and finance

In 2003-04 we will be distributing £5,485 million to universities and colleges in England (an increase of 7.6 per cent compared with the previous year). This funding will support teaching, research, capital projects, and related activities (under special funding).

Teaching and research

A total of £3,399 million is available for teaching (see page 6). This includes £71 million to fund 19,700 additional full-time equivalent student places, covering increases in medical student numbers, funding for prototype foundation degrees, funding for eUniversities places, and funds to support diversification out of initial teacher training.

The teaching element also includes £265 million to support widening access and participation (page 10).

A total of £1,042 million has been allocated to research, representing an increase of 10.9 per cent over 2002-03 (see page 12).

Capital funding

We will also allocate £364 million for earmarked capital grants in 2003-04. This programme includes contributions to SuperJANET4 (the electronic network linking all universities and colleges), the capital costs of new or expanding medical schools, and ongoing projects to address past problems with the sector's infrastructure.

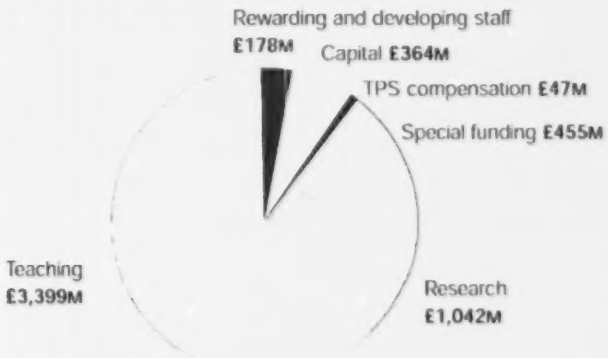
Special funding

Most of our funding is allocated by formula as recurrent grants for teaching and research. However we also distribute special funding for specific purposes. Where possible this is allocated as conditional grants rather than through a competitive bidding process in order to reduce the administrative burden on HEIs. For 2003-04 special funding of £455 million will be distributed, covering such areas as regional collaboration, support for learning and teaching strategies, and promotion of closer links between higher education and business and the wider community.

In addition £178 million is provided for rewarding, retaining and developing staff in higher education. A further £47 million will compensate institutions for the increased costs of contributions to the Teachers' Pension Scheme.

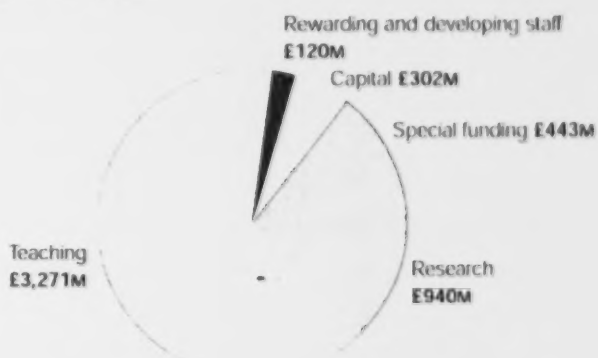
2003-04 HEFCE will distribute

£5.5 billion



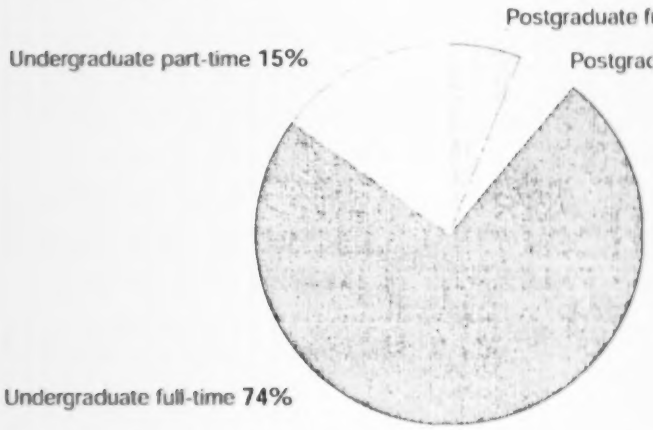
2002-03 HEFCE distributed

£5.1 billion



Students and institutions funded by HEFCE

962,350 Students*



295 Institutions

- **77** Universities
- **14** General HE colleges
- **40** Specialist HE colleges
- **164** Further education colleges providing higher education courses

(These figures exclude Northern Ireland)

* Full-time equivalent home and EC students, from data surveys in December 2002.

Financial trends for HEFCE

		1997-98	1998-99	1999-2000	2000-01	2001-02	**2002-03**
		£000s	£000s	£000s	£000s	£000s	**£000s**
Income							
Government grants		3,531,709	3,580,149	4,187,183	4,432,020	4,776,692	**5,189,978**
Other income		5,214	5,883	4,629	20,750	25,709	**33,965**
		3,536,923	3,586,032	4,191,812	4,452,770	4,802,401	**5,223,943**
Expenditure							
Grants to institutions		3,502,659	3,534,218	4,066,810	4,356,369	4,602,292	**5,070,059**
Access funds grant		21,710	38,830	80,516	92,465	95,600	**105,021**
Running costs:	Pay	5,059	5,134	6,049	6,898	7,803	**8,284**
	Non pay	5,162	4,833	6,546	6,380	8,163	**7,669**
Appropriations, interest and charges		107	149	24,578	24,096	23,622	**20,790**
		3,534,697	3,583,164	4,184,499	4,486,208	4,737,480	**5,211,823**
Surplus / (deficit) for the year		**2,226**	**2,868**	**7,313**	**(33,438)**	**64,921**	**12,120**

Income and expenditure account

		Year ended 31 March 2003 £000s	Year ended 31 March 2002 £000s
Income			
Government grants	Programmes	**5,068,878**	4,665,427
	Running costs	**14,811**	14,542
	Other grant income	**106,016**	96,427
		5,189,705	4,776,396
Transfer from deferred Government grant		**273**	296
Other income	Programmes	**33,219**	24,379
	Running costs	**746**	1,330
		33,965	25,709
Total income		**5,223,943**	4,802,401
Expenditure			
Grants paid	Recurrent	**5,070,059**	4,602,292
	Access and Hardship funds	**105,021**	95,600
		5,175,080	4,697,892
Council administration		**15,953**	15,966
Total expenditure		**5,191,033**	4,713,858
Operating surplus / (deficit) before interest		**32,910**	88,543
Unwinding of discount*		(20,790)	(23,622)
Surplus / (deficit) for the period		**12,120**	**64,921**

* This represents a charge to reflect the cash flows estimated as part of the initial measurement of the provision being closer to the measurement date; in effect it is similar to interest payable on future expenditure.

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Balance sheet as at 31 March 2003

These summary financial statements are prepared from the Council's full audited annual accounts. HEFCE's annual accounts for the year ended 31 March 2003 were signed on 27 June 2003 by Sir Howard Newby on behalf of the HEFCE Board. To view these accounts please visit our web-site, www.hefce.ac.uk under About us/Accounts.

		Year ended 31 March 2003 £000s	Year ended 31 March 2002 £000s
Fixed assets		**255**	240
Current assets	Loans to institutions	**19,884**	12,075
	Debtors	**8,779**	5,356
	Cash at bank	**8,954**	17,299
		37,617	34,730
Current liabilities		**(10,207)**	(8,208)
Net current assets		**27,410**	26,522
Provisions for liabilities and charges		**(335,264)**	(346,496)
		(307,599)	(319,734)
Represented by	Deferred Government grant	**255**	240
	General reserve*	**(307,854)**	(319,974)
		(307,599)	(319,734)

* The large accumulated (negative) general reserve represents the Council's commitment to pay inherited staff liabilities as shown in our provision. Funding to cover this commitment is drawn as grant each year from the DfES as long as the commitment continues.

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Analysis of Council administration costs

	Year ended 31 March 2003 £000s	Year ended 31 March 2002 £000s
Staff costs (see below)	**8,284**	7,803
Audit fee	**29**	28
Board members honoraria and expenses	**50**	55
Committee members and advisers fees and expenses *	**339**	2,511
Consultancy fees **	**2,412**	210
Depreciation	**259**	230
General administrative expenses	**1,867**	2,152
Premises	**1,800**	2,033
Staff travel and subsistence	**913**	944
	15,953	15,966

* Last year expenditure on committees was unusually high due to the 2001 Research Assessment Exercise.

** For the financial year 2002-03 a budget of £2 million relating to consultancy has been reclassified from Programme expenditure to Administration costs. This reclassification was agreed with the DfES and reflects the fact that while the cost of consultancy fees relates to the management of projects on behalf of and for the benefit of the HE sector as a whole, the expenditure is actually incurred by the Council itself.

		Year ended 31 March 2003	Year Ended 31 March 2002
Staff costs			
Average number of staff employed by the Council		**240**	245
		£000s	£000s
Staff directly employed by the HEFCE	Staff salaries	**6,354**	5,974
	National Insurance contributions	**489**	478
	Pension costs	**906**	849
		7,749	7,301
Costs of contract, agency and temporary staff		**535**	502
Total staff costs		**8,284**	7,803

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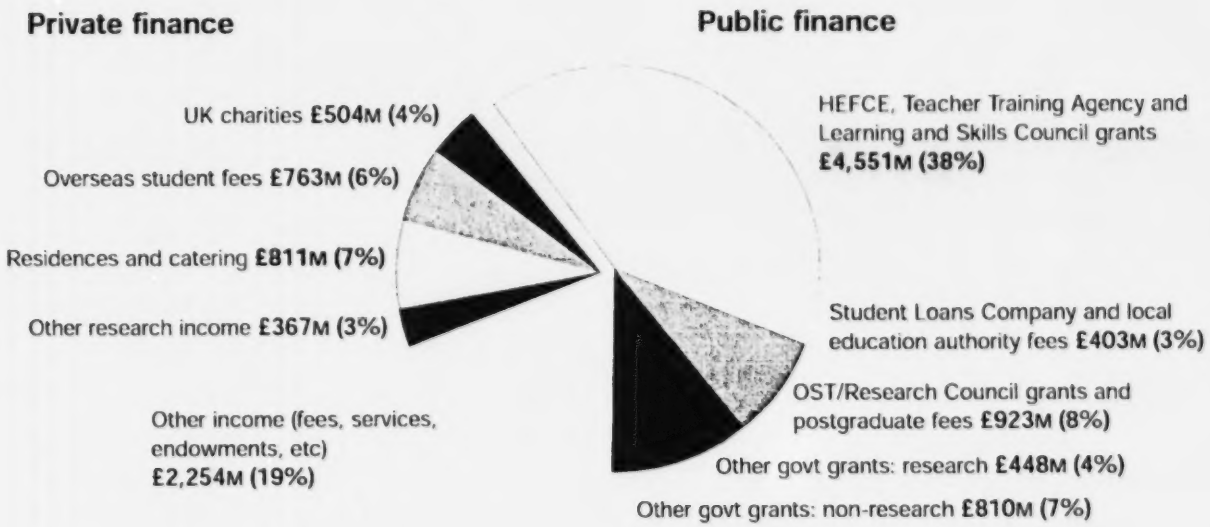
	Year ended 31 March 2003 £000s	Year Ended 31 March 2002 £000s
Senior employees		
Salary and benefits of the **Chairman**, David Young		
Basic salary as at 1 April	**40**	40
Annual pay increase	**1**	–
Basic salary as at 31 March	**41**	40
Salary and benefits of the **Chief Executive**, Sir Howard Newby		
Basic salary as at 1 April	**120**	120
Annual pay increase	**3**	–
Basic salary as at 31 March	**123**	120
Other annual benefits and pension contribution	**30**	29
	153	149

Sources of finance for universities and colleges 2001-02

Total income £11,834 million


Private finance
Public finance
UK charities £504M (4%)
Overseas student fees £763M (6%)
Residences and catering £811M (7%)
Other research income £367M (3%)
Other income (fees, services, endowments, etc) £2,254M (19%)
HEFCE, Teacher Training Agency and Learning and Skills Council grants £4,551M (38%)
Student Loans Company and local education authority fees £403M (3%)
OST/Research Council grants and postgraduate fees £923M (8%)
Other govt grants: research £448M (4%)
Other govt grants: non-research £810M (7%)

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Higher education provision in England 2002-03

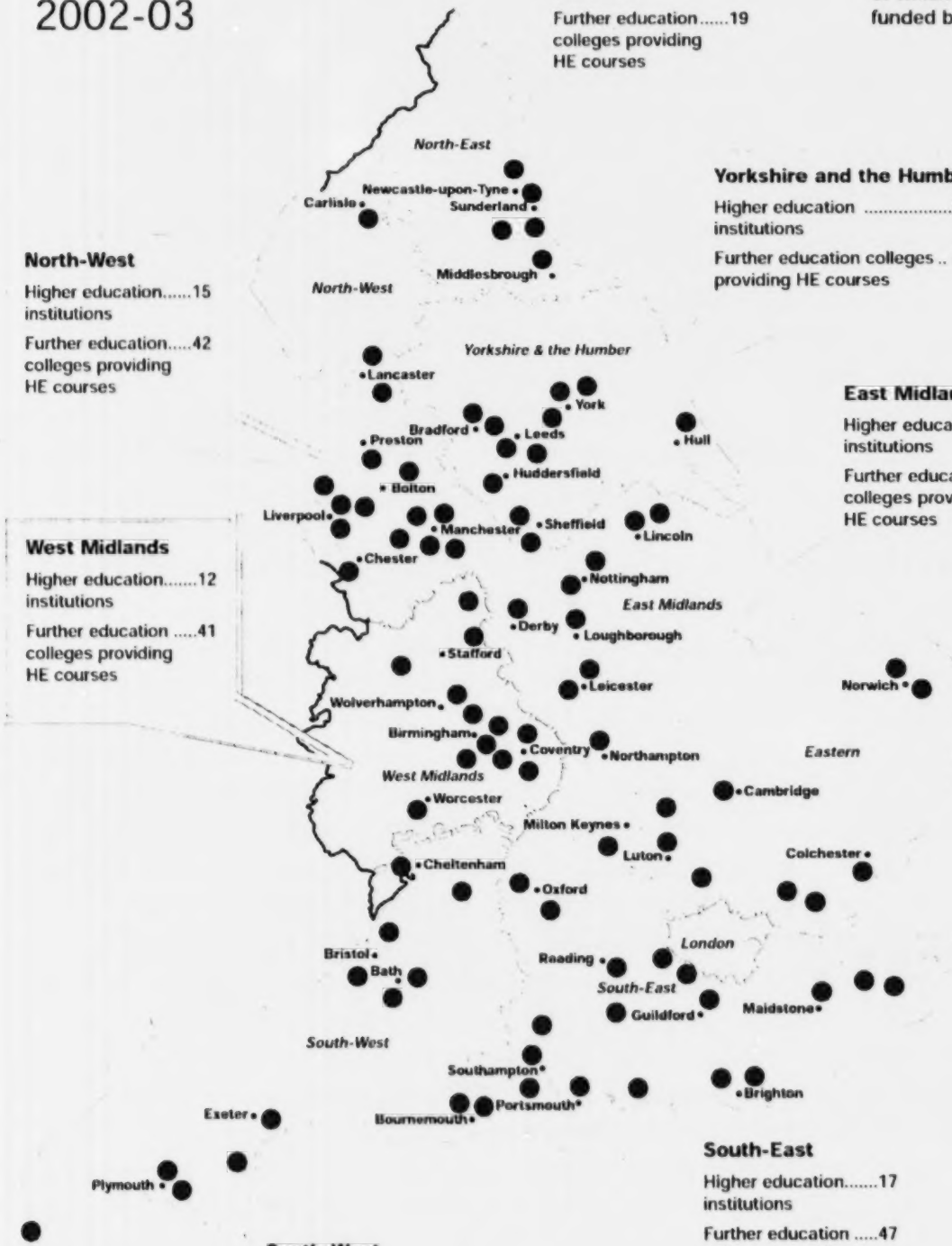
North-East

Higher education.....5 institutions

Further education.....19 colleges providing HE courses

Total HEIs: 131

Total FECs: 279
of which 164 are directly funded by HEFCE



North-West

Higher education.....15 institutions

Further education.....42 colleges providing HE courses

Yorkshire and the Humber

Higher education .....11 institutions

Further education colleges .. 34 providing HE courses

East Midlands

Higher education.....9 institutions

Further education.....22 colleges providing HE courses

West Midlands

Higher education.....12 institutions

Further education .....41 colleges providing HE courses

East of England

Higher education.....9 institutions

Further education .....29 colleges providing HE courses

London

Higher education.....40 institutions

Further education .....34 colleges providing HE courses

South-East

Higher education.....17 institutions

Further education .....47 colleges providing HE courses

South-West

Higher education.....13 institutions

Further education .....31 colleges providing HE courses

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● Higher education institutions

Recurrent grant for 2003-04 and students for 2002-03

These data are correct at July 2003

Figures in £000s

	Teaching grant	Research grant	Other allocations	Total grant	Percentage change adjusted for volume	Percentage change in total resource[1] from 2002-03	Students[2] Full-time & sandwich	Part-time
Universities								
Anglia Polytechnic University	39,057	639	1,775	41,470	6.0%	7.5%	10,851	13,275
Aston University	17,147	4,979	1,379	23,505	3.3%	4.0%	5,698	825
University of Bath	22,519	12,756	1,724	36,999	3.3%	4.4%	8,302	1,905
Birkbeck College	18,877	6,780	1,095	26,751	4.6%	5.8%	667	15,148
University of Birmingham	58,604	33,008	3,686	95,298	4.2%	5.9%	19,448	6,758
Bournemouth University	25,711	562	1,128	27,402	4.9%	7.0%	9,488	4,771
University of Bradford	23,032	5,689	1,245	29,966	1.6%	3.5%	7,264	3,332
University of Brighton	30,777	3,721	1,652	36,150	5.7%	9.4%	11,189	5,151
University of Bristol	47,608	31,324	3,465	82,397	3.3%	5.5%	12,936	5,081
Brunel University	30,342	6,478	1,700	38,519	3.5%	3.5%	10,832	2,411
University of Cambridge	53,814	77,894	4,782	136,490	7.6%	7.8%	17,168	9,589
University of Central England in Birmingham	35,579	625	1,751	37,955	4.1%	4.2%	12,550	7,544
University of Central Lancashire	49,035	1,241	2,096	52,372	5.8%	6.7%	14,126	8,939
City University, London	17,419	4,792	1,653	23,864	3.7%	7.4%	9,018	6,033
Coventry University	38,681	834	1,673	41,188	4.0%	4.3%	11,627	5,193
De Montfort University	48,955	3,773	2,500	55,228	3.6%	3.6%	14,977	7,390
University of Derby	25,734	317	1,191	27,242	6.6%	7.1%	8,377	4,391
University of Durham	33,876	17,195	2,603	53,674	3.5%	4.8%	12,071	2,055
University of East Anglia	20,014	12,672	1,338	34,023	6.5%	10.8%	8,874	5,373
University of East London	30,944	1,255	1,431	33,630	5.1%	5.1%	8,797	4,353
University of Essex	16,427	8,259	1,006	25,692	5.1%	7.1%	6,934	2,234
University of Exeter	25,886	10,209	1,606	37,701	3.6%	6.6%	9,648	2,991
University of Gloucestershire	18,626	803	967	20,397	5.8%	7.2%	6,045	2,812
Goldsmiths College, University of London	13,467	6,421	950	20,839	3.4%	3.9%	4,827	2,123
University of Greenwich	39,571	1,326	1,858	42,755	2.1%	2.5%	12,018	7,234
University of Hertfordshire	38,764	1,932	1,835	42,531	4.3%	4.3%	14,288	4,798
University of Huddersfield	32,814	1,381	1,517	35,712	4.5%	4.5%	9,691	5,528
University of Hull	27,937	4,989	1,474	34,401	1.4%	2.8%	10,645	9,538
Imperial College of Science, Technology and Medicine	45,845	69,680	3,999	119,524	7.8%	8.3%	9,933	913
Keele University	14,443	4,710	1,209	20,362	2.2%	7.5%	5,632	5,522
University of Kent	26,796	5,350	1,630	33,776	3.2%	8.4%	9,034	3,815
King's College London	56,565	40,827	3,668	101,060	3.3%	4.3%	14,474	3,739
Kingston University	42,065	991	1,824	44,880	4.7%	8.3%	12,613	3,661
Lancaster University	22,985	12,771	1,443	37,199	3.5%	5.5%	8,622	6,771
University of Leeds	71,092	35,149	4,318	110,559	4.5%	6.0%	24,133	5,850
Leeds Metropolitan University	52,128	871	2,221	55,220	6.7%	11.4%	13,798	10,830
University of Leicester	27,543	12,906	2,446	42,896	3.0%	4.5%	9,215	5,009
University of Lincoln	31,572	251	1,278	33,101	5.1%	5.1%	7,086	6,382
University of Liverpool	52,054	23,011	3,623	78,688	3.2%	4.8%	14,207	6,511
Liverpool John Moores University	47,426	2,462	2,250	52,139	4.4%	4.4%	14,561	5,364
London Metropolitan University	60,874	612	2,776	64,261	5.8%	5.8%	17,573	10,974
London South Bank University	28,859	1,263	1,359	31,481	3.1%	3.1%	8,974	8,297
Loughborough University	32,322	11,346	2,859	46,527	3.3%	5.1%	11,246	990
University of Luton	18,031	393	801	19,225	6.0%	6.0%	6,781	5,278
University of Manchester	59,124	43,226	4,003	106,353	4.2%	5.4%	20,712	4,118
University of Manchester Institute of Science & Technology	18,284	14,860	1,301	34,445	4.9%	4.9%	6,345	832

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Figures in £000s

	Teaching grant	Research grant	Other allocations	Total grant	Percentage change adjusted for volume	Percentage change in total resource[1] from 2002-03	Students[2] Full-time & sandwich	Part-time
Manchester Metropolitan University	65,692	2,856	3,412	71,961	5.3%	5.9%	21,464	7,313
Middlesex University	42,496	1,663	1,984	46,143	5.6%	6.6%	16,665	7,448
University of Newcastle upon Tyne	46,718	25,948	2,809	75,475	4.2%	7.8%	13,805	2,168
University of Northumbria at Newcastle	43,930	895	2,015	46,839	3.7%	6.1%	15,300	5,032
University of Nottingham	52,324	29,128	3,214	84,666	4.4%	7.4%	20,179	6,032
Nottingham Trent University	47,545	2,594	2,477	52,615	3.7%	3.7%	16,989	5,818
Open University	136,008	5,574	7,093	148,676	3.4%	3.4%	504	118,247
University of Oxford	51,828	75,974	4,476	132,278	8.3%	8.9%	16,226	6,430
Oxford Brookes University	27,145	1,914	1,430	30,489	3.3%	5.0%	11,126	5,171
University of Plymouth	57,863	2,811	2,545	63,219	4.3%	7.6%	16,471	10,223
University of Portsmouth	41,409	3,691	1,965	47,065	5.1%	7.1%	13,332	4,904
Queen Mary, University of London	38,975	13,452	2,445	54,872	1.8%	5.3%	8,348	1,024
University of Reading	23,221	17,373	1,759	42,352	3.5%	3.7%	9,739	3,140
Royal Holloway, University of London	14,385	10,511	997	25,893	4.4%	4.4%	5,222	975
University of Salford	38,902	6,102	1,880	46,884	4.9%	5.5%	13,264	4,610
University of Sheffield	49,909	34,542	3,342	87,792	4.8%	5.7%	18,457	5,225
Sheffield Hallam University	52,341	2,880	2,686	57,907	4.0%	4.0%	18,020	7,854
University of Southampton	42,027	34,861	2,989	79,877	5.5%	6.7%	15,179	3,566
Staffordshire University	39,232	609	1,724	41,565	3.8%	3.8%	10,460	5,391
University of Sunderland	30,231	814	1,733	32,778	3.3%	3.4%	8,241	5,552
University of Surrey	18,166	14,301	1,897	34,364	3.4%	4.2%	7,515	4,791
University of Surrey Roehampton	14,465	955	889	16,309	5.4%	5.4%	5,966	1,486
University of Sussex	21,970	13,685	1,441	37,096	5.7%	7.1%	8,051	3,251
University of Teesside	31,933	442	1,356	33,731	5.2%	6.4%	8,006	9,970
Thames Valley University	25,189	82	1,031	26,302	5.5%	6.5%	6,834	7,134
University College London	53,693	77,324	4,621	135,638	8.2%	8.2%	15,114	2,442
University of Warwick	30,443	21,787	2,191	54,421	3.8%	7.7%	11,837	10,428
University of the West of England, Bristol	46,581	1,822	2,336	50,739	4.3%	6.6%	17,438	6,282
University of Westminster	46,492	1,805	2,108	50,405	3.7%	4.8%	11,448	9,433
University of Wolverhampton	43,564	591	1,975	46,130	5.0%	5.1%	13,145	9,291
University of York	18,751	16,681	1,382	36,814	5.8%	8.3%	7,894	1,544
General colleges								
Bath Spa University College	10,445	326	531	11,302	7.1%	13.4%	3,669	678
Bolton Institute of Higher Education	16,633	226	696	17,555	4.7%	6.8%	3,426	2,775
Buckinghamshire Chilterns University College	17,429	608	749	18,786	7.5%	7.5%	5,698	3,154
Canterbury Christ Church University College	14,484	123	918	15,525	5.4%	6.1%	5,781	7,003
Chester College of Higher Education	12,759	239	615	13,613	8.4%	12.8%	6,095	2,173
University College Chichester	7,190	291	473	7,954	7.4%	10.4%	2,654	2,964
Edge Hill College of Higher Education	11,247	23	704	11,974	6.8%	11.4%	5,277	5,448
King Alfred's College, Winchester	6,804	376	426	7,606	11.1%	14.3%	3,285	2,442
Liverpool Hope University College	11,745	78	704	12,527	7.5%	12.6%	4,661	1,824
University College Northampton	19,463	311	936	20,711	6.4%	6.4%	7,002	3,035
St Mary's College	5,468	68	368	5,903	4.7%	8.1%	2,342	616
Southampton Institute	26,314	134	1,154	27,603	6.5%	6.5%	8,359	2,076
University College Worcester	7,562	71	427	8,060	8.0%	11.7%	3,420	3,351
York St John College	7,340	54	458	7,852	5.9%	6.8%	3,455	1,543

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Figures in £000s

	Teaching grant	Research grant	Other allocations	Total grant	Percentage change adjusted for volume	Percentage change in total resource[1] from 2002-03	Students[2] Full-time & sandwich	Part-time
Specialist institutions								
Birmingham College of Food, Tourism and Creative Studies	6,462	0	259	6,722	14.1%	14.1%	2,463	425
Bishop Grosseteste College, Lincoln	2,120	0	158	2,277	9.9%	9.9%	923	181
Arts Institute at Bournemouth	4,605	0	135	4,740	9.0%	23.0%	1,005	124
Institute of Cancer Research	196	9,799	290	10,285	-3.0%	-3.0%	102	18
Central School of Speech and Drama	3,582	0	153	3,735	1.2%	5.9%	641	37
Courtauld Institute of Art	861	1,110	211	2,182	3.5%	3.5%	326	35
Cranfield University	10,163	4,198	3,686	18,046	-2.7%	-2.7%	2,166	1,048
Cumbria Institute of the Arts	3,222	143	130	3,495	10.0%	10.0%	889	30
Conservatoire for Dance and Drama	5,275	0	149	5,424	2.6%	29.0%	472	24
Dartington College of Arts	2,623	237	92	2,953	6.0%	18.7%	394	66
Institute of Education	3,860	6,058	576	10,494	10.9%	12.3%	1,372	3,052
Falmouth College of Arts	5,361	174	218	5,754	3.9%	10.6%	1,515	108
Harper Adams University College	7,322	41	275	7,638	1.8%	2.8%	1,417	217
Kent Institute of Art & Design	6,258	228	254	6,741	6.9%	8.1%	1,839	155
University of London	1,400	130	255	1,785	9.8%	9.8%	259	132
London Business School	472	3,399	196	4,067	5.0%	5.0%	879	614
London School of Economics and Political Science	7,599	13,177	857	21,633	6.4%	7.4%	6,972	789
London School of Hygiene & Tropical Medicine	2,888	5,962	291	9,140	-0.3%	-0.3%	583	268
The London Institute	31,604	6,469	1,484	39,556	6.2%	9.5%	9,457	1,212
Newman College of Higher Education	2,207	0	217	2,424	11.9%	25.3%	1,259	753
Norwich School of Art & Design	2,657	145	100	2,902	7.6%	15.9%	598	54
School of Oriental and African Studies	5,683	5,079	436	11,198	5.6%	5.6%	2,996	370
School of Pharmacy	3,403	2,333	196	5,932	5.6%	10.5%	752	306
Ravensbourne College of Design and Communication	5,482	0	129	5,610	4.5%	20.8%	870	20
RCN Institute	731	0	259	990	-30.7%	-30.7%	0	808
Rose Bruford College	2,780	0	109	2,889	1.9%	1.9%	555	176
Royal Academy of Music	3,417	246	403	4,065	0.4%	0.4%	630	0
Royal Agricultural College	2,740	0	105	2,845	0.8%	8.9%	563	23
Royal College of Art	8,766	2,236	721	11,722	3.4%	3.4%	797	41
Royal College of Music	3,740	195	278	4,214	-0.5%	-0.5%	533	21
Royal Northern College of Music	4,320	141	408	4,869	0.4%	0.4%	567	4
Royal Veterinary College	10,917	2,818	652	14,387	3.2%	17.8%	894	110
St George's Hospital Medical School	11,679	3,210	1,348	16,236	0.1%	8.8%	1,608	2,115
College of St Mark & St John	3,363	17	298	3,678	7.7%	9.7%	2,115	1,811
St Martin's College	8,052	123	747	8,923	6.1%	6.1%	4,497	5,234
The Surrey Institute of Art & Design, University College	10,213	301	394	10,908	6.0%	9.2%	2,711	111
Trinity & All Saints	4,217	33	311	4,561	4.4%	4.4%	2,130	270
Trinity College of Music	5,777	0	111	5,888	15.1%	77.3%	435	50
Wimbledon School of Art	2,161	581	601	3,343	-1.4%	-0.5%	522	98
Writtle College	4,455	0	173	4,628	4.1%	4.1%	906	231
FE colleges funded by HEFCE	**135,637**	**0**	**0**	**135,637**	**3.6%**	**4.7%**	**28,392**	**30,237**
Total[3]	**3,405,808**	**1,037,708**	**195,114**	**4,638,630**	**4.7%**	**6.2%[4]**	**1,038,662**	**624,266**

[1] Resource = HEFCE grant plus an assumed income from tuition fees.

[2] Student numbers are headcounts, based on data supplied by institutions, and include all home, EC and overseas students.

[3] These figures do not necessarily add up to the totals shown, due to rounding.

[4] Includes support for expansion of student numbers.

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Mr Steve Martin, Chief Executive

Learning and Skills Council
Mr John Harwood, Chief Executive

Scottish Higher Education Funding Council
Mr Roger McClure, Chief Executive

Teacher Training Agency
Mr Michael Day, Director of Funding

Members' interests

A register of Board members' interests is maintained and is available with the biographies of each member on the HEFCE web-site, www.hefce.ac.uk under About us/HEFCE people/Board.

Complaints against HEFCE

During the year the Board's Complaints Panel considered no complaints against HEFCE. An earlier complaint was investigated by the Ombudsman but not upheld. The procedure for making complaints is on the web, www.hefce.ac.uk under About us/Complaints.

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Definitions

Core funding Funds provided by HEFCE to an institution for teaching, research and related activities. Core funding is distributed by formula. Institutions can spend it according to their own priorities, within our broad guidelines. (See special funding.)

Further education Education provided outside secondary schools for people over 16. Courses are generally up to the standard of A-levels or NQV level 3.

Higher education Courses generally above the standard of A-levels or NVQ level 3, such as degree courses and Higher National Diplomas and Certificates.

Higher education institution University or college of higher education.

Special funding HEFCE funding provided for a fixed period and a specified purpose. It may be distributed by formula or in response to competitive bids. (See core funding.)

Key HEFCE publications

- Estates management statistics (HEFCE 2002/53)
- Funding higher education in England (HEFCE 2003/29)
- HEFCE strategic plan 2003-08 (HEFCE 2003/35)
- Higher education-business interaction survey (HEFCE 2003/11)
- Joint consultation on the review of research assessment (HEFCE 2003/22)
- Performance indicators for higher education (HEFCE 2002/52)
- Recurrent grants for 2003-04 (HEFCE 2003/10)
- Regional profiles of higher education (HEFCE 2002/33)
- Supporting higher education in further education (HEFCE 2003/15 and 2003/16)

Web-sites

- Action on Access, www.actiononaccess.org
- Aimhigher, www.dfes.gov.uk/aimhigher/
- Database of expertise on China, www.chinaexperts.org.uk
- Department for Education and Skills, www.dfes.gov.uk
- EFQM Business Excellence Model, www.efqm.org
- Foundation degrees, www.foundationdegree.org.uk
- HEFCE, www.hefce.ac.uk; in particular the sections on About us, Publications, and Partners
- HERO portal site for information on higher education, www.hero.ac.uk
- Joint Costing and Pricing Steering Group, www.jcpsg.ac.uk
- Joint Procurement Policy and Strategy Group, www.jppsg.ac.uk
- Learning and Skills Council, www.lsc.gov.uk
- Learning and Teaching Support Network, www.ltsn.ac.uk
- Links between UK and Brazil, www.brazil.ox.ac.uk
- National Disability Team, www.natdisteam.ac.uk
- Quality Assurance Agency, www.qaa.ac.uk
- Research Councils, www.rcuk.ac.uk
- UK-Brazil collaborative research networks, www.hefce.ac.uk under Partners/International

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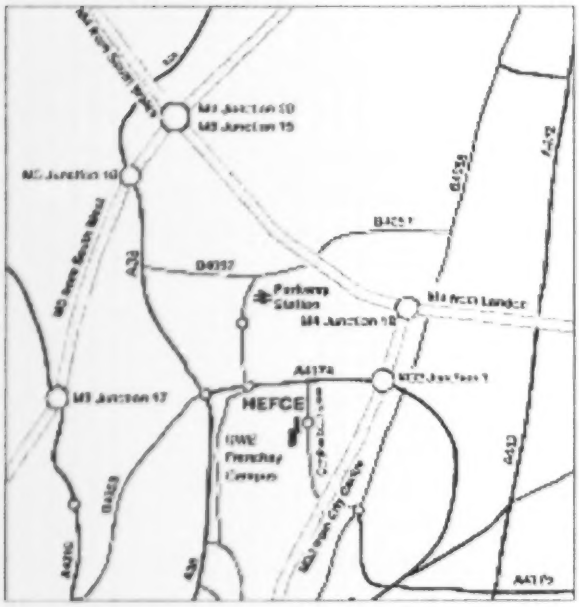

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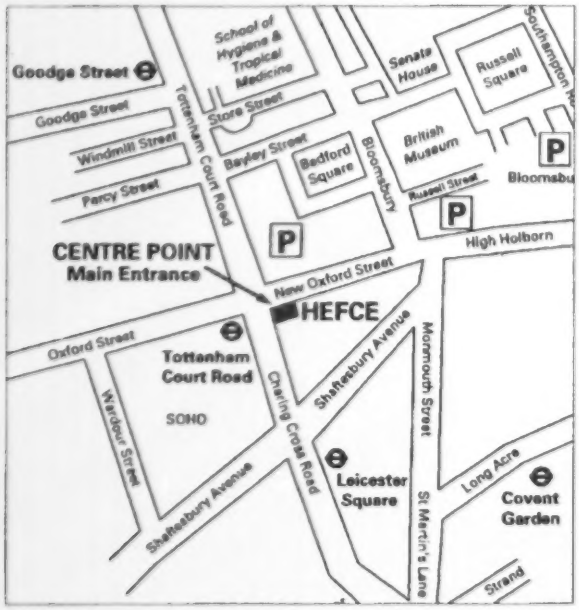

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